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7 Attorneys for First Priority
8 Sargent Ranch Lenders

9 UNITED STATES BANKRUPTCY COURT
10 SOUTHERN DISTRICT OF CALIFORNIA

11 In re:

12 SARGENT RANCH, LLC,

13 Debtor

14 CHAPTER 11

15 Case No. 10-00046-PB

16 DECLARATION OF JEFFREY GOODRICH
17 IN SUPPORT OF OPPOSITION TO
18 DEBTOR'S MOTION TO EMPLOY
19 FREEMAN ASSOCIATES AND TO
20 SECURITIZE CONTRACT WITH PRIMING
21 LIEN

22 DATE: May 17, 2010
23 TIME: 11:00 a.m.
24 DEPT: 4
25 JUDGE: Hon. Peter W. Bowie

26 I, Jeffrey Goodrich, declare:

27 DECLARATION OF JEFFREY GOODRICH
28 IN SUPPORT OF OPPOSITION TO DEBTOR'S MOTION
TO EMPLOY FREEMAN ASSOCIATES, ETC.

✓	FILED
_____	ENTERED
_____	LODGED
_____	RECEIVED
MAY 06 2010	
CLERK, U.S. BANKRUPTCY COURT	
SOUTHERN DISTRICT OF CALIFORNIA	
BY <i>B L</i>	DEPUTY

BY FAX

1 1. I represent First Priority Sargent Ranch Lenders, a group of the following individuals
2 and entities holding the following fractional interests in a first priority note and deed of trust
3 encumbering all of the debtor's real property:
4

5 2. I attended the continued meeting of creditors in this case and listened to the testimony
6 of Wayne Pierce. In his testimony, he admitted that all of the lenders' funds (totaling \$43,000,000)
7 were administered by Gregory Griffin and his company, First Blackhawk Financial, a mortgage
8 broker in Danville, California ("First Blackhawk"). He said that although most of the records of
9 those loan proceeds were with First Blackhawk, he was able to prepare a summary of how those
10 proceeds were spent. A copy of Mr. Pierce's summary is attached hereto as Exhibit "A".
11

12 3. As set forth in Exhibit "A", the debtor paid less than \$18 million for the property it
13 now claims is worth more than \$700 million. If Mr. Pierce's disbursement summary is accurate,
14 much of the remaining loan proceeds were spent on a management fee (\$10,315,000), interest
15 payments (about \$14,380,000), property taxes (\$1,593,000) and various forms of compensation to
16 the debtor's insiders totaling about \$4,000,000. These other forms of compensation include "loans"
17 totaling \$500,000 to Art Appleton and Gregory Griffin (who claim to be owners of a 30% interest in
18 the debtor and who operated First Blackhawk at the time the debtor borrowed these funds), loans by
19 the debtor to other partnerships in which Mr. Pierce holds an interest (Mare Island, \$614,606, and
20 Roddy Ranch, \$922,833), loan fees to First Blackhawk (\$1,200,000) and an unidentified "loan
21 repayment" of \$720,750.
22

23 4. Mr. Pierce also testified that in 2007 he personally received about \$1,250,000 from
24 Patriot Resources, the lessee of certain oil leases on the property. He testified that this payment
25 constituted a buyout of Patriot's obligations under one of its leases and that the lessor under that
26 lease was Mr. Pierce, not the debtor. When asked how he became the lessor of an oil lease of the
27
28

DECLARATION OF JEFFREY GOODRICH
IN SUPPORT OF OPPOSITION TO DEBTOR'S MOTION
TO EMPLOY FREEMAN ASSOCIATES, ETC.

1 debtor's property, he testified that the debtor's operating agreement, created in 2002 or 2003,
2 contained an unrecorded assignment of the lease from the debtor to Mr. Pierce. He promised to
3 provide me a copy of the Patriot Lease assignment, the Operating Agreement and other documents
4 described during his testimony, but to date I have received no documents at all or any explanation of
5 why such documents have not yet been produced.
6

7 5. Attached hereto as Exhibit "B" and made a part hereof is a true and correct copy of a
8 letter I received last year from an attorney representing First Blackhawk. I know that this attorney in
9 fact represented First Blackhawk at the time this letter was written because Greg Griffin, the owner
10 of First Blackhawk, told me so. The documents described in this letter were subsequently moved to
11 the Office of the United States Trustee in Oakland, California, where Mr. Griffin's Chapter 7 case is
12 being administered. Prior to forming any recommendation to my clients concerning the merits of the
13 debtor's motion to employ Freeman Associates, I wish to examine Mr. Pierce concerning the
14 documents in his possession and those in the possession of the U.S. Trustee in Oakland. In his
15 testimony at the 341 meeting in this case, Mr. Pierce stated that the records in his possession
16 constituted about 5 or 6 bankers boxes. I have sent the debtor's counsel a list of the documents I
17 would like produced and requested a continuance of the hearing on the Debtor's Motion to mid-July
18 so that such discovery can be completed.
19
20
21

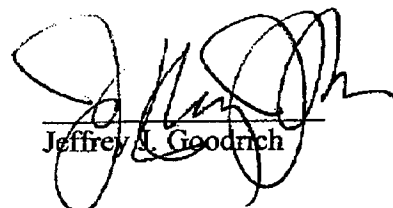
22 6. At the 341 hearing, I asked Mr. Pierce if he had received any offers to develop or
23 purchase the Debtor's "solar site". He testified he had received offers to lease the site and to enter
24 into a joint venture of the site, but he refused to provide any financial information concerning any of
25 those offers. I asked if his counsel could produce copies of the offers under a protective order, but I
26 was told that such information would not be produced because it was in the nature of a "trade secret"
27 that the Debtor could not reveal while it was still negotiating such offers.
28

DECLARATION OF JEFFREY GOODRICH
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TO EMPLOY FREEMAN ASSOCIATES, ETC.

1 7. Based upon my conversations with Mr. Pierce and Mr. Griffin over the past several
2 years, I understand that the Debtor originally attempted to develop the property as a residential golf
3 course. When that failed, Mr. Pierce attempted to develop the property as an Indian tribal
4 development. This effort also has failed. Attached hereto as Exhibit "C" and made a part hereof is a
5 copy of just two of more than several dozen articles I found through a Google search today of the
6 words "Sargent Ranch". These articles are not submitted to prove the truth of any matter addressed
7 in the articles, but rather to show that the Debtor, under Mr. Pierce's management, has completely
8 failed in pursuing two previous development schemes.

9
10
11 8. Mr. Pierce signed the Debtor's schedules claiming that the total amount of secured
12 debt in this case was a little more than \$71 million. Attached hereto as Exhibit "D" and made a part
13 hereof is a true and correct copy of a portion of an audit report that the Debtor participated in
14 showing the audited balances of secured debt as of October 2005. As set forth in Exhibit "D", the
15 total amount of "principal & interest due" as of that date was \$94,276,326 according to the
16 Debtor's own records. Again, this is what the Debtor's auditors claimed was owed over three and
17 a half year ago, not what the secured creditors then claimed. Since that date, an additional three
18 years and seven months' interest has accrued on this debt and, based upon my review of the Debtor's
19 records to day, no payments have been made. Accordingly, even if interest has been compounding
20 on this debt at 15%, the total is without question more than twice what Mr. Pierce claimed in the
21 Debtor's schedules under penalty of perjury.

22
23
24 I declare under penalty of perjury under the laws of the State of California that the foregoing
25 is true and correct and that this declaration was executed this 6th day of May at Greenbrae,
26 California.

27
28

Jeffrey A. Goodrich

DECLARATION OF JEFFREY GOODRICH
IN SUPPORT OF OPPOSITION TO DEBTOR'S MOTION
TO EMPLOY FREEMAN ASSOCIATES, ETC.

Exhibit A

Cash Flow

6/11/2000 through 2/26/2010

2/26/2010

Page 1

Category Description	6/11/2000- 2/26/2010
INFLOWS	
Uncategorized	0.00
Appraisal Fee Refund	23,815.30
First Trust Deed Loan Proceeds	15,000,000.00
First Trust Deed Modification Proceeds	10,000,000.00
Funds For Property Taxes	1,346,499.17
Funds Transfer	2,166.73
Overpayment Refund	1,869.50
Protective Advance Proceeds	3,539,931.00
Repayment Of Advanced Funds	43,000.00
Second Trust Deed Loan Proceeds	15,000,000.00
Third Trust Deed Loan Proceeds	3,000,000.00
TOTAL INFLOWS	47,957,281.70
OUTFLOWS	
Account Fees	1,095.00
Accounting	15,525.85
Accrued Management Fee	7,250,000.00
Appraisal Fees	43,000.00
Assignment Out	675,000.00
Bank Charge	330.90
Biological Consulting	12,784.83
Bull Dozer Work	7,605.00
Close Account	2,140.73
Consulting Fee	403,322.50
District Fees	1,257.97
Engineering	305,011.72
Environmental Research	65,110.02
Escrow Charges	14,186.79
Expense Reimbursement Attorney Fees	20,000.00
Expense Reimbursement Consulting Fees	18,000.00
Expense Reimbursement Lot Valuation	3,000.00
Expense Reimbursement Marketing	1,000.00
Expense Reimbursement Spiering	45,000.00
Expense Reimbursement Whitaker Photo	986.13
Fees	677.00
Golf Course Design Fees	10,000.00
Habitat Mitigation Credits	581,676.01
Interest Payment	12,366,501.17
Interest Payments Prepaid	2,311,574.97
Legal Fees Mitigation Credits	57,135.47
LLC Filing Fees	5,191.97
Loan Advance Appleton	250,000.00
Loan Advance Griffin	250,000.00
Loan Advance Spiering	6,000.00
Loan Fees First Blackhawk	1,200,000.00
Loan Repayment	720,750.00
Lot Study	74,426.72
Management Fee Loan Advance	3,065,000.00
Marketing Expense	7,008.31

EXHIBIT "A"

Cash Flow

6/11/2000 through 2/26/2010

2/26/2010

Page 2

Category Description	6/11/2000- 2/26/2010
Misc	36,000.00
Office Expense	20,073.58
Paid By WFP	388,442.04
Petition Consulting	288,418.28
Petition Expenses	127,500.00
Project Expenses Reimbursements	515,264.52
Prop. Taxes	1,593,369.25
Property Acquisition	17,756,132.28
Property Refinance Fess	99,511.81
Property Tax Penalties	86,150.00
Protective Advance Mare Island	614,606.94
Protective Advance Roddy Ranch	922,833.32
Public Relations	89,800.83
Refund Of Account Fees	37.50
Sargent Ranch Legal	1,743,042.51
Survey Work	87,368.10
TOTAL OUTFLOWS	54,158,850.03
OVERALL TOTAL	-6,201,568.33

EXHIBIT A-2

CANNATA,
CHING &
O'TOOLE LLP
Attorneys at Law

Therese Y. Cannata
tcannata@ccolaw.com

April 30, 2009

By Telefax and U.S. Mail

Daniel Lynchey
Goldberg, Stinnett, Davis & Lynchey P.C.
44 Montgomery Street, Ste. 2900
San Francisco, California 94104

Maggie McGee
U.S. Department of Justice
Office of the United States Trustee
1301 Clay Street, Ste. 690N
Oakland, California 94612-5217

Re: *First Blackhawk Financial Corporation*

Dear Mr. Lynchey and Ms. McGee:

We represent First Blackhawk Financial Corporation ("FBFC") in connection with the legal issues that have arisen since it ceased business operations in late 2007 or early 2008. We have had no involvement or contact with the pending Chapter 7 bankruptcy of Greg Griffin. However, we recently received word from Mr. Griffin's bankruptcy counsel, Randall Bupp, that the U.S. Trustee wished to inspect FBFC documents now in storage. I understand as well that the Chapter 7 trustee, Mr. Tevis T. Thompson, Jr., and the U.S. Trustee presently control all access to these documents. FBFC has no objection to such control and access nor need of those files. The corporation has no employees or business activities at this time and expects to wind down its affairs in the near future. We merely wish to notify you that these records likely contain confidential financial information, social security numbers and other private consumer information - from former company employees, investors and borrowers. We are also informed that as representatives of the Bankruptcy Court, you will employ safeguards for the protection of consumer information in those files.

Finally, we pass along to you information that we received from Jeff Goodrich earlier today. Mr. Goodrich apparently represents one or more investors who had historic business dealings with FBFC. He advises us that he was asked to assist the U.S. Trustee at the inspection. He has correctly noted that we cannot control his access to the documents but we do hope that provisions are made to secure from his view the consumer records that do not pertain to his clients.

Please feel free to contact me or my partner, Tom O'Toole, if you have any question.

Very truly yours,

CANNATA, CHING & O'TOOLE LLP


THERESE Y. CANNATA

TYC:hs

cc: Jeff Goodrich (by telefax and U.S. Mail)

100 Pine Street, Suite 1775 San Francisco, CA 94111
Tel: 415.409.8900 ■ Fax: 415.409.8904 ■ www.ccolaw.com
San Francisco ■ Walnut Creek

EXHIBIT "B" - 1

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Greenbelt Alliance | South Bay

Home > Your Region > South Bay > Campaigns > Sargent Ranch

REGIONAL CAMPAIGN

Campaigns

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Sargent Ranch is 6,500 acres of unincorporated farmland and wildlife habitat south of Gilroy. Several times over the last few years, developers have made proposals to develop Sargent Ranch with luxury homes and golf courses. Building in the unspoiled foothills of Sargent Ranch would require a zoning change in the County's General Plan, setting a dangerous precedent for other such projects to follow suit. We will remain on the lookout for proposals to develop Sargent Ranch, and to support the County's General Plan policies that promote development within existing urban areas, and work with our allies toward permanent protection of the Sargent Ranch lands.

What You Can Do

- o Write the Santa Clara County Board of Supervisors at 70 West Hedding Street, San Jose, CA 95110. Urge them to uphold the County's General Plan and deny a zoning designation change for Sargent Ranch.
- o Send a letter to the editor. Help raise community awareness by sending a letter to the editor of the *Gilroy Dispatch* (editor@garlic.com) or the *San Jose Mercury News* (letters@sjmercury.com).

Campaign Update

March 2007

Congressman Honda's office said that the legislation to fast-track recognition for the Amah Mutsun tribe no longer exists, and Honda has no plans to reintroduce it, as it was originally an add-on to a bill by Congressman Pombo, who is no longer in office.

January 2007

Sargent Ranch is 6,500 acres of unincorporated County land just south of Gilroy. A Southern California developer, Wayne Pierce, bought the land years ago with the hope of transforming the rolling hillsides into a luxury community. The Santa Clara County Board of Supervisors has denied him several times. In an unsettling move, the developer began negotiations with one faction of the Amah Mutsun Native American tribe which claims Sargent Ranch as its ancestral land. However, the Amah Mutsun is a divided tribe with one side claiming the other is fraudulent. This has sparked an investigation by the Department of the Interior. At the same time, Congressman Mike Honda authored legislation that would fast-track federal recognition for the Amah Mutsun tribe.

With the Democratic takeover of Congress, many bills that had idled will start to see movement again. Honda plans to sit down with the tribe to get a renewed sense of their plans. The Department of Interior has completed its investigation, but the findings remain confidential until other agencies review them. Honda has refused to acknowledge that federal recognition of the tribe and development of Sargent Ranch are one issue. The tribe can claim the ranchlands as sovereign, lease it back to the developer who can then ignore planning laws and County supervisors and develop the land as he sees fit.

January 2006

Congressman Honda's bill is now moving slowly through the House Committee on Resources.

October 2005

Congressman Mike Honda has sponsored legislation that could fast-track federal recognition of the local Amah Mutsun Indian Tribe and speed development plans for Sargent Ranch. The tribe would still be subject to the Bureau of Indian Affairs (BIA). Complicating this issue further is the fact that there are two factions of the Amah Mutsun

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EXHIBIT C-1

tribe, with one claiming the other is a splinter group who has been sending fraudulent documents to the BIA.

September 2005

Congressman Mike Honda has sponsored legislation that could fast-track federal recognition of the local Amah Mutsun Indian Tribe. Under Congressman Honda's legislation, the Bureau of Indian Affairs (BIA) would have one year to decide on recognition. If the Tribe is officially recognized, they could take control of Sargent Ranch, more than 6,000 pristine acres southwest of Gilroy. Tribal control would intensify development pressure on Sargent Ranch because tribal lands are exempt from state and local environmental and planning laws.

March 2005

A recent article in the Gilroy Dispatch highlighted the fact that the owner of Sargent Ranch, Wayne Pierce, is in debt up to \$35.5 million. Sargent Ranch covers 6500 acres at the southern most point of Santa Clara County. Over the past several years, Pierce used the ranch as collateral to borrow millions of dollars. Since the County won't change the zoning, Pierce has teamed up with the Amah Mutsun tribe in the hopes that they will be federally recognized and will be able to declare Sargent Ranch as their ancestral land and therefore will not need to follow County zoning laws. However, since Congressman Mike Honda is no longer fast tracking the federal recognition process, it could be ten years before they are even considered.

January 2005

Sargent Ranch continues to be targeted for development from a splinter group of the Amah Mutsun Indians.

October 2004

There is concern that Sargent Ranch has again been targeted for development, only this time, the developer hopes to circumvent Santa Clara County regulations by joining forces with a local Indian tribe. If a splinter group of the Amah Mutsun Indians is recognized, they plan to convert 3,500 acres of pristine agricultural land into sprawl housing. News of this development and the way in which the developer is getting around county regulations has upset many and has sparked opposition in and around Gilroy. There are still several questions concerning the tribe's ability to be federally recognized, but with strong local opposition to development, there may be some reluctance to officially recognize the tribe. Greenbelt Alliance continues to work with local allies in Gilroy to preserve one of the last agricultural areas in Santa Clara County.

Greenbelt Alliance | 1000 Howard Street, Suite 540, San Francisco, CA 94103 | 415.845.6771 | info@greenbelt.org

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EXHIBIT C-2

What is the capital of the state of Texas?

a) Austin b) Houston c) Dallas

encyclopedia.com

Knight Ridder
Tribune

Environmentalists Protest Santa Clara County, Calif., Land Development.

Knight Ridder/Tribune Business News | January 31, 2003 | 11:01 AM

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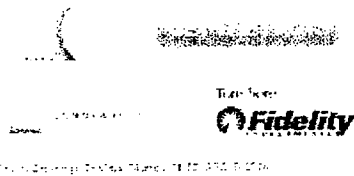
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By Pat Lopes Harris, San Jose Mercury News, Calif. Knight Ridder/Tribune Business News

Jan. 31—A developer who tried and failed on two occasions to build golf courses and multi-million dollar homes on one of the largest undeveloped parcels in southern Santa Clara County is trying again, sparking an outcry from environmentalists who want the land saved for open space.

A representative of Pleasant Hill developer Wayne Pierce met with Gilroy's city council in December to discuss his plans to squeeze the project onto 900 acres, saving the rest of 5,400-acre ...

Environmentalists Protest Santa Clara County, Calif., Land Development.

Environmentalists Protest Santa Clara County, Calif., Land Development.

Environmentalists Protest Santa Clara County, Calif., Land Development.

Environmentalists Protest Santa Clara County, Calif., Land Development.

Newspaper article from: Dispatch (Gilroy, CA) ...development partner and Sargent Ranch owner, Wayne Pierce...preserve the bulk of Sargent Ranch, claim Zwiernick did...and development of Sargent Ranch are separate issues...defies common sense for Santa Clara County Supervisor Don...

Environmentalists Protest Santa Clara County, Calif., Land Development.

Newspaper article from: Dispatch (Gilroy, CA) ...wrote. He added that Sargent Ranch LLC, which he created...the Roddy Ranch and Sargent Ranch projects. In late...Around the same time, Santa Clara County supervisors...they would not rezone Sargent Ranch to allow development...

Environmentalists Protest Santa Clara County, Calif., Land Development.

Newspaper article from: Dispatch (Gilroy, CA) ...600 acres of Sargent Ranch, has until June...delinquent tax bill to Santa Clara County. If he...be sold to the Santa Clara County Parks...investment group, Sargent Ranch LLC, have struck...citizens," said Santa Clara County Supervisor...

Environmentalists Protest Santa Clara County, Calif., Land Development.

Newspaper article from: Knight Ridder/Tribune Business News ...A proposal to change Santa Clara County's general plan and...chance to shoot it down. The Sargent Ranch property — 5,200 acres...last year and now controls Sargent Ranch, had hoped supervisors might...southern end of the county where Sargent Ranch is located, said that ...

Environmentalists Protest Santa Clara County, Calif., Land Development.

Newspaper article from: San Jose Mercury News (San Jose, California) (via Knight-Ridder/Tribune Business News) ...Not any more. The Santa Clara Valley Water District and the Land Trust for Santa Clara County, a non-profit...the property as the Sargent Ranch, after the family that...000 grant from the Santa Clara County Open Space Authority...

Environmentalists Protest Santa Clara County, Calif., Land Development.

Newspaper article from: Knight Ridder/Tribune Business News ...head of the Santa Clara Valley Audubon...Mutsums working with Sargent Ranch owner Wayne Pierce...San Benito and Santa Clara counties have...6,500-acre Sargent Ranch located at the southern tip of Santa Clara County, approached...

EXHIBIT C-3

Knight Ridder
Tribune

Newspaper article from: Knight Ridder/Tribune Business News ...with the owner of Sargent Ranch to convert 3...approvals from Santa Clara County, which...reaction from Santa Clara County Supervisor...Lopez. "That Sargent Ranch is one of the...6,500-acre Sargent Ranch property is located...southern tip of Santa...

San Jose
Mercury News

Newspaper article from: Dispatch (Gilroy, CA) ...questioning the development prospects for Sargent Ranch after a Dispatch investigation...million. The investigation of Santa Clara County land records showed that...Gage, whose district includes Sargent Ranch. "He's got to have a sewage...

San Jose
Mercury News

Newspaper article from: Dispatch (Gilroy, CA) ...lands in San Benito and Santa Clara counties have provoked...the 6,500-acre Sargent Ranch in South County...Representative Mike Honda, Santa Clara and San Benito county...recognition and placing Sargent Ranch in trust, under the...

Knight Ridder
Tribune

Newspaper article from: Knight Ridder/Tribune Business News ...Representatives of Sargent Ranch LLC appeared at Monday...Cruz county lines. Sargent Ranch LLC representative...Craig Breon of the Santa Clara Valley Audubon Society. Greenbelt Alliance, Santa Clara County Audubon Society...

For more facts and information, please visit:

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EXHIBIT C-4

ARMSTRONG, BONN & FEENEY, LLP

abf

Independent Accountants' Report

Mr. Greg Griffin
First Blackhawk Financial Corporation
4145 Blackhawk Plaza Circle
Danville, CA 94506

Dear Greg:

We have examined the accompanying schedules of Balances Due to Investors, Payoff Amounts Due to Investors, and Residual Interest Carryforward for First, Second and Third Trust Deeds of Sargent Ranch, LLC, as of October 1, 2005. The management of First Blackhawk Corporation is responsible for these schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the accompanying schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present, in all material respects, the Balances Due to Investors, Payoff Amounts Due to Investors, and Residual Interest Carryforward for First, Second and Third Trust Deeds of Sargent Ranch, LLC, as of October 1, 2005 based on the criteria set forth in the First, Second and Third Trust Deeds of Sargent Ranch, LLC.

October 31, 2005

Armstrong, Bonn & Feeney, LLP

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www.abfcpa.com

EXHIBIT D-1

**Sargent Ranch, LLC
Remainder Interest Carryforward
Summary**

	Principal Amount	Principal & Interest Due	Current Payoff	Remainder Interest Carryforward
First Trust Deed	\$ 25,000,000	\$ 43,081,824	\$ 35,798,888	\$ 9,282,938
Second Trust Deed	15,000,000	45,275,596	22,344,410	22,931,286
Second Trust Deed - Protective Advance	120,000	247,329	206,563	40,766
	15,120,000	45,523,024	22,550,972	22,972,052
Third Trust Deed	3,000,000	5,571,478	14,076,792	1,594,686
Total	\$ 43,120,000	\$ 94,275,326	\$ 62,273,057	\$ 33,849,676

EXHIBIT D-2